

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 AID-05 SS-15 NSC-05

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TO SECSTATE WASHDC NIACT IMMEDIATE 9699

INFO DIA WASHDC IMMEDIATE

USIA WASHDC IMMEDIATE

AMEMBASSY GUATEMALA IMMEDIATE

AMEMBASSY MANAGUA IMMEDIATE

AMEMBASSY SAN JOSE IMMEDIATE

AMEMBASSY SAN SALVADOR IMMEDIATE

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C O N F I D E N T I A L SECTION 1 OF 2 TEGUCIGALPA 1387

E.O. 11652: GDS

TAGS: PINT, HO

SUBJECT: REACTION TO UNITED BRANDS BRIBERY STORY

REF: (A) TEGUCIGALPA 1372; (B) TEGUCIGALPA 1386

1. THE CABINET MEETING CALLED BY CHIEF OF STATE LOPEZ ON THE AFTERNOON OF APRIL 9 DECIDED TO ESTABLISH AN INVESTIGATING COMMITTEE (SEE REFTEL B). ON EMERGING FROM THE MEETING, SOME CABINET MEMBERS WERE QUESTIONED BY THE PRESS ON THEIR VIEWS CONCERNING THE SITUATION. THE FOLLOWING ARE THE MAIN POINTS AS REPORTED IN THE PRESS:

(A) MINISTER OF PUBLIC HEALTH ENRIQUE AGUILAR PAZ STATED THAT THIS IS A MOMENT OF CRISIS FOR EVERYBODY AND SUPPORTED THE DECISION OF THE GOVERNMENT TO CREATE AN INVESTIGATING COMMITTEE TO DISCOVER THE TRUTH. HE ALSO SAID THAT RE-

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COMMITTEE TO DISCOVER THE TRUTH. HE ALSO SAID THAT RE-

LATIONS BETWEEN HONDURAS AND THE UNITED STATES WILL NOT BE ALTERED IN CASE THE INFORMATION IS FALSE;

(B) MINISTER OF ECONOMY ABRAHAM BENNATON RAMOS SAID THAT HE AND GENERAL LOPEZ WERE INNOCENT OF THE BRIBERY CHARGES;

(C) MINISTER OF FINANCE MANUEL ACOSTA BONILLA COMMENTED THAT THE GOVERNMENT DENIES ALL CHARGES MADE BY THE WALL STREET JOURNAL. HE ADDED THAT THE INVESTIGATING COMMITTEE WILL INFORM THE PEOPLE ABOUT THE RESULTS OF THEIR INQUIRIES. HE REMARKED THAT IF THE INFORMATION IS FALSE THE GOVERNMENT WILL PROCEED TO TAKE ACTION AGAINST UNITED BRANDS AND THAT IF THE INFORMATION IS TRUE, THE CULPRITS WILL BE PUNISHED;

(D) MINISTER OF DEFENSE COLONEL MARIO CHINCHILLA CARCAMO SAID THAT THE INVESTIGATING COMMITTEE IS NECESSARY IN ORDER TO CLARIFY THE ACCUSATIONS MADE BY THE WALL STREET JOURNAL; AND

(E) DIRECTOR OF THE PLANNING COUNCIL MANLIO MARTINEZ STATED THAT APPROPRIATE MEASURES WILL BE TAKEN TO DEAL WITH THE SITUATION ONCE THE FACTS ARE KNOWN.

2. EL CRONISTA, A SENSATIONALIST MORNING DAILY, CARRIED A FRONT PAGE STORY WHICH BASICALLY CONSISTED OF AN INTERVIEW WITH A LAWYER, CARLOS O. MONTOYA, WHO IS AN ACTIVE SYMPATHIZER OF THE PRO-SOVIET COMMUNIST PARTY OF HONDURAS. THE MAIN POINTS OF THE INTERVIEW FOLLOW:

(A) THE FACT THAT THE GOVERNMENT HAS DEMANDED THE PAYMENT OF THE BANANA TAX AND THE FACT THAT THE GOVERNMENT HAS ADOPTED A FIRM POSITION IN RELATION TO THE ISLETAS CASE HAS FORCED THE MULTINATIONAL COMPANIES (UNITED BRANDS AND STANDARD FRUIT) TO CONSPIRE AGAINST THE HONDURAN GOVERNMENT AND ITS OFFICIALS. THIS CONSPIRACY IS DESTINED TO IMPAIR THE COUNTRY'S REPUTATION AND TO OVERTHROW THE GOVERNMENT, AS WAS THE CASE WITH SALVADOR ALLENDE IN CHILE;

(B) HONDURAN OFFICIALS CAN SUE IN U.S. COURTS THE ENTITY OR PERSON
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OR PERSONS WHO ORIGINATED THE INFORMATION ABOUT THE BRIBERY;

(C) BECAUSE THIS INFORMATION NEGATIVELY AFFECTS HONDURAN PRESTIGE AND FUTURE DEVELOPMENT OPPORTUNITIES, HONDURAS CAN ASK FOR MORAL COMPENSATION (PROOF THAT THE INFORMATION IS FALSE) OR ECONOMIC COMPENSATION (THE HONDURAN GOVERNMENT CAN TAKE ACTION AGAINST THE PROPERTY OF THE COMPANIES); AND

(D) THE AMERICAN AMBASSADOR IN HONDURAS HAS DECLARED THAT HE DID NOT INFORM THE DEPARTMENT OF STATE ABOUT THE BRIBERY; HOWEVER, IT COULD BE THAT HE REALLY KNOWS ABOUT THE SITUATION. THE OFFICIAL APPARATUS OF THE UNITED STATES IS AT THE SERVICE OF U.S. BUSINESS AS EVIDENCED IN THE CASE OF ITT IN CHILE, AND IT IS POSSIBLE THAT THE UNITED STATES GOVERNMENT IS COLLABORATING WITH UNITED BRANDS IN ITS CONSPIRACY AGAINST THE GOVERNMENT.

3. TIEMPO, A MORNING DAILY, CARRIED A TRANSLATION OF THE WALL STREET JOURNAL ARTICLE, AN AP STORY ON THE BACKGROUND OF THE BRIBERY STORY AND A FRONT PAGE EDITORIAL. AN INFORMAL TRANSLATION OF THE EDITORIAL FOLLOWS:

"HONDURAS IS SURPRISED TO FIND OUT ABOUT THE INFORMATION PUBLISHED BY THE WALL STREET JOURNAL WHICH INDICATES THAT THE CHIEF OF STATE GENERAL OSWALDO LOPEZ ARELLANO ACCEPTED A \$1,250,000 BRIBE IN ORDER TO REDUCE THE TAX ON THE EXPORTATION OF BANANAS. THE WALL STREET JOURNAL ARTICLE ALSO STATES THAT UNITED BRANDS, WHOSE SUBSIDIARY IN HONDURAS IS THE TELA RAILROAD COMPANY, ADMITTED BEFORE THE SECURITIES AND EXCHANGE COMMISSION TO HAVE PAID THAT AMOUNT FOR THE REASONS ALREADY MENTIONED. ONCE MORE HONDURAS OCCUPIES THE WORLD'S HEADLINES AS A COUNTRY IN DISGRACE. WE WERE BARELY OVERCOMING THE FATAL CONSEQUENCES OF HURRICANE FIFI WHEN WE FIND OURSELVES IN ANOTHER DISASTER WHICH INVOLVES THE HONOR AND PRESTIGE OF OUR COUNTRY AT A TIME WHEN WE MOST NEED THE CONFIDENCE AND RELIANCE OF OTHER NATIONS WHICH WOULD ENABLE US TO RECOVER FROM THE DAMAGES WE SUFFERED LAST SEPTEMBER. THIS SCANDAL HAS HAD A DEMORALIZING EFFECT ON HONDURANS. PUBLIC OPINION IS A MIXTURE OF INDIGNATION, INCREDULITY, SADNESS AND FRUSTRATION. THE ONLY ANSWER WE ARE ENTITLED TO IS THE WHOLE TRUTH, NO MATTER HOW SHATTERING."

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C O N F I D E N T I A L SECTION 2 OF 2 TEGUCIGALPA 1387

4. LA PRENSA, A MORNING DAILY, CARRIED FIVE EFE (SPANISH WIRE SERVICE) STORIES ON THE BACKGROUND OF THE BRIBERY STORY. ITS FRONT PAGE HEADLINES IS "UNITED BRANDS BRIBES OFFICIALS OF THE HONDURAN GOVERNMENT." THE HEADLINE IS ACCOMPANIED BY A PICTURE OF DEJECTED LOOKING MINISTERS ENTERING THE PRESIDENTIAL PALACE PRIOR TO THE COUNCIL OF MINISTERS MEETING ON APRIL 9.

5. RADIO NEWS COMMENTATORS HERMAN ALLEN PADGETT, ARMANDO ZELAYA AND GUSTAVO ACOSTA MEJIA ALSO REPORTED ON THE STORY. ALL THREE WERE OF THE OPINION THAT THE MILITARY GOVERNMENT HAD DONE THE ONLY CORRECT THING IN VIEW OF THE CIRCUMSTANCES; THAT IS, CREATE A COMMISSION TO INVESTIGATE THE FACTS. PADGETT MENTIONED THAT THE UPEB COUNTRIES' REACTION TO THE NEWS MUST BE CONSIDERED BECAUSE THE BRIBERY INVOLVED THE BANANA TAX. HE CALLED THE SITUATION "OUR WATERGATE." ARMANDO ZELAYA POINTED OUT THAT THE CRISIS
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COMES AT A BAD TIME, WHEN ALL THE CENTRAL AMERICAN COUNTRIES ARE SPECULATING ABOUT THE CHANGES IN THE HONDURAN ARMED FORCES.

6. THE LIBERAL AND NATIONALIST PARTIES ISSUED A JOINT DECLARATION DURING THE EVENING OF APRIL 9. THE DECLARATION CALLED ON THE SUPERIOR DEFENSE COUNCIL TO FORM A "GOVERNMENT OF TRANSITION" WHICH WILL GIVE CONFIDENCE TO THE PEOPLE AND RESCUE THE COUNTRY FROM ANARCHY AND SOCIO-ECONOMIC CHAOS.

IT BLAMED "THE PRESENT LEADER OF THE COUNTRY" FOR THE TRAGIC SITUATION OF HONDURAS. THE DECLARATION STATES THAT THE GOVERNMENT OF TRANSITION SHOULD PREPARE THE WAY FOR A RETURN TO CONSTITUTIONALITY AND THE HOLDING OF FREE ELECTIONS. IT IS SIGNED BY ALL THE MEMBERS OF THE CENTRAL COMMITTEES AND POLITICAL COMMISSIONS OF BOTH PARTIES.

7. AS YET, THERE HAVE BEEN NO REPORTED THREATS TO U.S. CITIZENS OR PROPERTY.

8. COMMENT: AS COULD BE EXPECTED, THE STORY HAS BROUGHT FORTH A FLOOD OF DENUNCIATION CONCERNING UNITED BRANDS. THE BRIBERY ACTION OF UB IS BEING USED TO PILLORY MULTI-NATIONAL CORPORATIONS GENERALLY AND THOSE IN HONDURAS IN PARTICULAR. A COMMON THRUST OF COMMENTARY IS THAT THE CORPORATIONS HAVE HAD AN UNDUE INFLUENCE IN HONDURAS IN THE PAST AND WISH TO CONTINUE THAT INFLUENCE IN THE PRESENT BY ANY AND ALL MEANS. WITHOUT DOUBT, THIS CAMPAIGN WILL GAIN FORCE AND WILL ADVERSELY AFFECT THE OPERATION OF U.S. BUSINESS IN HONDURAS. IN ADDITION, THE EFFECTS OF THIS SITUATION WILL BE ADVERSELY FELT IN OTHER ASPECTS OF US-HONDURAN RELATIONS.
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